

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 SS-15 NSC-05

L-03 PM-04 OMB-01 XMB-02 TRSE-00 OPIC-03 PA-01 PRS-01

USIA-06 MC-02 /083 W

----- 018120

R 052003Z MAR 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8553

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

FAA BRUSSELS

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E. O. 11652: N/A

TAGS: EAIR, FR, US

SUBJ: CIVAIR: US-FRANCE AEROSPACE COOPERATION

1. SUMMARY--INTERMINISTERIAL COUNCIL CHAIRED BY GISCARD MEETS IN JUNE TO TAKE LONG-AWAITED DECISIONS FOR FRENCH AIRCRAFT INDUSTRY, INCLUDING POSSIBLE JOINT VENTURE WITH US CONSTRUCTOR. DECISION ON AIR FRANCE FLEET RENEWAL WILL BE POSTPONED UNTIL THEN. SITUATION IS CONFUSED WITH REGARD TO US INDUSTRY TALKS WITH THE FRENCH' THOUGH DOUGLAS MAY BE IN STRONG POSITION. AEROSPATIALE NEEDS MORE MONEY--AGAIN. UTA MANAGING DIRECTOR FAVORS US-FRENCH INDUSTRY COOPERATION. END SUMMARY.

2. CLAUDE-LAFONTAINE OF FOREIGN MINISTRY HAS INFORMALLY CONFIRMED TO US THAT AN INTERMINISTERIAL COUNCIL MEETING CHAIRED BY PRESIDENT GISCARD HAS BEEN SCHEDULED FOR JUNE TO TAKE DECISIONS ON A NUMBER OF

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PROJECTS AFFECTING FRENCH AIRCRAFT INDUSTRY,

INCLUDING POSSIBLE COOPERATION WITH US INDUSTRY.
WHILE FINANCIAL DAILY LES ECHOS STATES MEETING WILL
BE HELD JUNE 4, CLAUDE-LAFONTAINE TOLD US EXACT DATE
HAS YET TO BE FIXED.

3. WHEN WE ASKED CLAUDE-LAFONTAINE FOR HER ESTIMATE
OF WHICH AMONG THE US CONSTRUCTORS SEEMED TO BE BEST
PLACED TODAY AS EVENTUAL PARTNER WITH FRENCH INDUSTRY,
SHE SAID THAT SITUATION WAS STILL SO CONFUSED THAT IT
WAS IMPOSSIBLE TO HAZARD OTHER THAN A WILD GUESS.
SHE DID SAY FLATLY, HOWEVER, THAT NO DECISION ON AIR
FRANCE FLEET RENEWAL WOULD BE REACHED BEFORE THE
INTERMINISTERIAL COUNCIL HAD MET.

4. AIR FRANCE OFFICIAL HAD TOLD US EARLIER THAT IT
WAS POSSIBLE SOME DECISIONS ON AIR FRANCE FLEET
RENEWAL MIGHT BE ANNOUNCED IN NEAR FUTURE AND COULD
INCLUDE A MIX OF BOEING AND DOUGLAS EQUIPMENT. WE
HAVE RECEIVED NO OTHER CONFIRMATION OF THIS, HOWEVER,
AND IT HAS NOW BEEN CONTRADICTED BY CLAUDE-LAFONTAINE
AS NOTED ABOVE. AIR FRANCE REP SAID THAT CARRIER'S
NEW PRESIDENT, GIRAUDET, WAS PUSHING FOR EARLY
DECISION IN ORDER REALIZE ECONOMIES BY RETIRING
SOONEST THE HIGH-COST CARAVELLES IN AIR FRANCE FLEET.
AIR FRANCE WAS ALSO COMING UNDER PRESSURE FROM OTHER
EUROPEAN CARRIERS WITH WHOM IT HAD POOLING
ARRANGEMENTS AND WHO WERE CRITICAL OF AIR FRANCE FOR
NOT FULLY EXPLOITING TRAFFIC POTENTIAL ON CERTAIN
ROUTES BECAUSE OF CONTINUED OPERATION OF OLD, LIMITED-
CAPACITY CARAVELLES.

5. BOEING REP HAD TOLD US SOME TIME AGO THAT BOEING
TALKS WITH GOF WERE NOT GOING WELL SINCE IT HAD
BECOME EVIDENT THAT ALL GOF AND FRENCH INDUSTRY
WANTED WAS US PARTNER TO HELP FINANCE PRODUCTION OF
MERCURE 200 IN FRANCE AND TO HELP MARKET IT IN US
AND ELSEWHERE ABROAD. (WE HAVE SINCE HEARD
INDIRECTLY THAT SOME PROGRESS MAY HAVE BEEN MADE IN
TALKS BETWEEN BOEING AND AEROSPATIALE, BUT WE HAVE NO
DETAILS.) BOEING REP HAD EXPRESSED THE VIEW THAT
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MCDONELL DOUGLAS MIGHT BE THE BEST-PLACED AMONG
US CONSTRUCTORS NOW TALKING WITH THE FRENCH, AND
THIS SAME OPINION WAS EXPRESSED TO US BY THE LOCAL
GE ENGINE REP. (SINCE DOUGLAS DOES NOT MAINTAIN AN
OFFICE IN PARIS AND ITS REPS WHO HAVE BEEN HERE FOR
TALKS WITH FRENCH HAVE NOT BEEN IN CONTACT WITH
EMBASSY, WE HAVE NOT BEEN ABLE TO GET DIRECT READING
FROM DOUGLAS.)

6. THUS FAR, AS WE HAVE INDICATED IN PREVIOUS REPORT-
ING, LOCKHEED HAD SEEMED TO BE A STRONG CONTENDER,
SINCE ITS TALKS WITH DASSAULT AND GOF SEEMED VERY FAR
ADVANCED. HOWEVER, WHEN WE MET WITH LOCKHEED REPS
RECENTLY WE HAD THE IMPRESSION THAT WHILE TECHNICAL
TALKS WITH DASSAULT WERE CONTINUING LOCKHEED FOR THE

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FIRST TIME WAS RUNNING SCARED. AND OF COURSE ALL THE
BAD PUBLICITY LOCKHEED HAS BEEN GETTING IN CONNECTION
WITH THE BRIBERY SCANDALS HAS CERTAINLY NOT HELPED
ITS CHANCES TO PROMOTE A JOINT VENTURE WITH THE FRENCH
FOR THE MERCURE 200.

7. ANOTHER UNKNOWN IN THE DIFFICULT EQUATION GOF
MUST SOLVE AS REGARDS FUTURE OF ITS AIRCRAFT INDUSTRY

IS AEROSPATIALE. SOME TIME AGO MARCEL DASSAULT
REVEALED THAT GOF HAD ASKED HIM TO CEDE
MERCURE 100 LICENSE TO AEROSPATIALE IF DECISION WAS
TAKEN TO PROCEED WITH DEVELOPMENT OF MERCURE 200
DERIVATIVE. THIS WOULD MEAN AEROSPATIALE AND NOT
DASSAULT WOULD HEAD THE MERCURE 200 PROJECT, THOUGH
THIS MIGHT HAVE LIMITED EFFECT SINCE THE TWO
COMPANIES SUB-CONTRACT WITH ONE ANOTHER ANYWAY ON
MANY PROJECTS. HOWEVER, IN THE JUNE DECISIONS GOF
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WILL BE UNDER PRESSURE TO GIVE AS LARGE A SLICE OF
THE CAKE AS POSSIBLE TO THE TROUBLE--BESET NATIONALIZED
COMPANY. AND THERE WILL HAVE TO BE A LOT OF FROSTING
ON THE CAKE, TOO, IF PRESS REPORTS ARE TO BE BELIEVED
WHICH INDICATE THAT GEN. JACQUES MITTERAND, THE NEW
HEAD OF AEROSPATIALE, IS DEMANDING 800 MILLION FRANCS
IN NEW CAPITAL FROM THE GOF TO AVERT "DISASTER" FOR
AEROSPATIALE.

8. COOPERATION BETWEEN US AND FRENCH AEROSPACE
INDUSTRIES GOT A BOOST MARCH 3 FROM ANTOINE VEIL,
MANAGING DIRECTOR OF THE FRENCH CARRIER UTA, WHEN IN
A WELL-PUBLICIZED SPEECH HE DEPLORED USE OF PUBLIC
FUNDS TO SUPPORT NATIONAL AIRCRAFT INDUSTRY (AS WELL
AS FOR WHAT HE CHARACTERIZED AS OVER-DEVELOPMENT OF
AIRPORT FACILITIES), CHARGING THIS WAS WASTEFUL
ALLOCATION OF TOO MUCH MONEY TO HELP ONLY A MINUTE
SEGMENT OF THE FRENCH ECONOMY. EUROPEAN MARKET ALONE
WAS TOO SMALL TO PERMIT PROFITABLE PRODUCTION OF
EUROPEAN-BUILT TRANSPORT AIRCRAFT, HE SAID, AND
COOPERATION WITH US AIRCRAFT INDUSTRY WAS ONLY WAY FOR
FRENCH INDUSTRY TO BREAK EVEN BY MAKING ALL-IMPORTANT
PENETRATION OF US MARKET.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AEROSPACE INDUSTRY, JOINT VENTURES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS06814
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760085-0090
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760390/aaaadbna.tel
Line Count: 208
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by MartinML>; APPROVED <08 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: US-FRANCE AEROSPACE COOPERATION
TAGS: EAIR, FR, US, AIR FRANCE, AEROSPATIALE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006